

TOWN OF DEDHAM, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2010

TOWN OF DEDHAM, MASSACHUSETTS

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ROSELLI, CLARK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Dedham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Dedham, Massachusetts (the "Town"), as of and for the year ended June 30, 2010 (except for the Town of Dedham Contributory Retirement System which is as of December 31, 2009), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Town, as of June 30, 2010, (except for the Town of Dedham Contributory Retirement System, which is as of December 31, 2009) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2011 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 10, funding and contribution progress for pension and other post

employment benefits on page 43, and budgetary comparison information on pages 44-45 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Roselli, Clark & Associates".

Roselli, Clark and Associates
Woburn, Massachusetts
Certified Public Accountants
January 3, 2011

Management's Discussion and Analysis

As the management of the Town of Dedham, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found on pages 11 - 45. All amounts in the Management's Discussion and Analysis, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$86.9 million (*total net assets*). This was an increase of nearly \$6.3 million from the preceding year and caused by an increase of approximately \$3.4 million in *governmental activities* and an increase of approximately \$2.9 million in *business-type activities*.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund surplus of approximately \$22.8 million. This was approximately \$6.3 million higher than the prior year.
- The accounting treatment for certain items vary greatly between the Statement of Net Assets and the Governmental Fund Balance Sheet thus the significant differences in equity and fund balance amounts between the two statements noted above. The reconciliation has been provided on page 14 of the accompanying basic financial statements to assist the reader to understand these differences.
- The Town's total debt is approximately \$46.4 million. The total long-term debt increased by approximately \$2.8 million as a result of new issuances of debt totaling approximately \$8.4 million offset by scheduled maturities of nearly \$5.6 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, economic development, debt service, fringe benefits and culture and recreation. The business-type activity of the Town accounts for the Town's sewer activities. The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided on pages 14 and 16 to facilitate this comparison.

The Town maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, stabilization fund, other post-employment benefits fund and school construction fund. Data from the other three governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 13-16 of this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 44.

Proprietary Funds - The Town maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer enterprise activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20 - 21 of this report.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Government-wide Financial Analysis (see Exhibit I and Exhibit II on pages 9 and 10)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In this case, the Town's assets exceeded liabilities by approximately \$86.9 million at the close of the most recent fiscal year.

By far, the largest portion (approximately 65.8%) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (approximately 15.1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets*, (less than 19.1%), may be used to meet the government's ongoing obligations.

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$86.9 million (*total net assets*). This was an increase of nearly \$6.3 million from the preceding year and caused by an increase of approximately \$3.4 million in *governmental activities* and an increase of approximately \$2.9 million in *business-type activities*.

Governmental Activities - During 2010 Town property taxes made up approximately 69.6% of total revenues, up from 67.3% in the comparable prior year period. Operating and capital grants made up 15.0% of total revenues, down from 16.1% in the comparable prior year period. No other revenues were greater than 10% of total revenues in 2010 or 2009. The largest expense by far is education which made up 57.9% of total expenses during 2010 which was nearly flat from 58.0% in the prior year. Public Safety expenses were 18.0% of total expenses, down from 18.7% in the previous year. No other expense types were greater than 10% of total expenses.

Business-type Activities Major revenue sources consist of revenue from users which represented approximately 96.2% of total revenues, down from 98.6% in the comparable prior year period. The remaining revenue represent amounts received from intergovernmental sources. Sewer expenses represented 100% of total business type expenses.

Financial Analysis of the Government's Funds - As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund surplus of approximately \$22.8 million. This was approximately \$6.3 million higher than the prior year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$3.2 million or 3.8% of total general fund expenditures, while total fund balance reached approximately \$5.3 million or 6.2% of total general fund expenditures.

The fund balance of the Town's general fund decreased from the previous year by approximately \$0.6 million during the current fiscal year. This was due to the Town supplementing its 2010 budget with available free cash amounts.

The stabilization fund has a total fund balance of approximately \$4.4 million. These are unencumbered accumulated financial resources that are subject to appropriation as directed by the Town's legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise during the year.

During 2010, using special legislation adopted by the Commonwealth, the Town established an OPEB Trust fund and to date has transferred \$1,350,000 from available surplus in the insurance appropriation line item. The latest actuarial valuation reflected these results as the unfunded liability was reduced from \$112 million to \$72 million due to the Town being able to use a more efficient funding model in the valuation.

Proprietary Fund - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the sewer fund at the end of the year amounted to approximately \$17.5 million, an increase of approximately \$2.4 million.

Fiduciary Fund - The Town's fiduciary fund is comprised primarily of the Town's Pension Trust Fund whose net assets approximated \$77.7 million. These assets are used strictly to pay retiree pensions and annuities and may not be used for Town operating purposes. For the year ended December 31, 2009 the net assets increased by \$10.6 million due primarily to a recovery in market conditions in the year then ended.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately 1.2%. Detail may be reviewed on page 43 of this report.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$103.1 million (net of accumulated depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was 3.7%. The increase relates to new additions exceeding the annual depreciation on fixed assets amount.

The Town has undergone significant capital improvements over the past several years. These include major additions to its schools, roadways, sidewalks, and sewer lines. The majority of these improvements were funded with debt, tax, user charges and intergovernmental grants.

Additional information on the Town capital assets can be found in note III.D. on pages 31 and 32 of this report.

Long-term Debt - The Town's total debt is approximately \$46.4 million. The total long-term debt increased by approximately \$2.8 million as a result of new issuances of debt totaling approximately \$8.4 million offset by scheduled maturities of nearly \$5.6 million.

The Town maintained an "AA+" rating as set by Standard and Poor's for general obligation debt.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The Town's legal debt margin as of June 30, 2010 was approximately \$203.6 million based on an equalized valuation of approximately \$4.1 billion.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in note III.E and F on pages 33 - 34 of this report.

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have begun to stabilize over the past 12 months. When the economy rebounds, the Town expects to participate in the rebound and ultimately experience an improvement in unemployment. However, the extent, timing or certainty of any economic rebound can not be reasonably estimated at this time.
- The Town's real estate tax base is made up predominantly of residential taxes, which in 2011 will be approximately 64.6% of the entire levy. The Town does rely heavily on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- Consistent with both State and National indices, the Town's housing market is in a downward trend. Housing prices are approximately 20% to 25% lower than their 2005 peaks. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. However, the extent, timing or certainty of any housing rebound can not be reasonably estimated at this time.

In May 17, 2010, Town Meeting approved the Town's fiscal year 2011 budget. All of the above items were considered when the Town developed this budget. General Fund appropriations approved were approximately \$83 million, and Enterprise fund appropriations approved were approximately \$6.2 million. For the General fund, property taxes of approximately \$68.5 million (net of overlay) make up approximately 82% of the appropriation funding sources. State aid of approximately \$6.7 million makes up approximately 8.0% of the appropriation funding sources. The remainder is funded from local receipts transfers from special revenue funds and prior year appropriations, and reimbursements from Enterprise funds for indirect costs. Funding for Enterprise funds is made up primarily from user charges.

The Town's tax rate for 2011 was set on December 16, 2010.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, 26 Bryant Street, Dedham, MA 02026 or mmurphy@dedham-ma.gov.

Government-Wide Financial Analysis
Exhibit I

Net Assets						
	Governmental activities		Business-type activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<u>Assets</u>						
Current and other assets	\$ 34,169	\$ 26,274	\$ 10,608 a	\$ 10,473	\$ 44,777 a	\$ 36,747
Capital assets, net	91,590	89,926	11,492	9,505	103,082	99,431
Total assets	125,759	116,200	22,100	19,978	147,859	136,178
<u>Liabilities</u>						
Long term liabilities	50,137	33,799	4,580	4,308	54,717	38,107
Other liabilities	6,266	16,934	23	575	6,290	17,509
Total liabilities	56,403	50,733	4,604	4,883	61,007	55,616
<u>Net Assets</u>						
Invested in capital assets, net of related debt	49,775	52,385	7,381	7,453	57,157	59,838
Restricted	13,115	3,987	-	-	13,115	3,987
Unrestricted	6,465	9,095	10,115 a	7,642	16,580 a	16,737
Net Assets	\$ 69,356	\$ 65,467	\$ 17,496 a	\$ 15,095	\$ 86,852 a	\$ 80,562

a Restated; see footnote VI

Government-Wide Financial Analysis
Exhibit II

Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenues						
Program revenues:						
Charges for services	\$ 5,444	\$ 5,561	\$ 7,655	\$ 7,219	\$ 13,098	\$ 12,780
Operating grants and contributions	14,201	14,463	281	-	14,482	14,463
Capital grants and contributions	2,368	2,172	18	84	2,386	2,256
General revenues:						
Property taxes	65,729	60,306	-	-	65,729	60,306
Motor vehicle excise and other taxes	2,941	3,462	-	-	2,941	3,462
Other	3,819	3,658	-	-	3,819	3,658
Total revenues	94,502	89,622	7,954	7,303	102,455	96,925
Expenses						
General government	7,456	6,773	-	-	7,456	6,773
Public safety	16,349	17,280	-	-	16,349	17,280
Education	52,734	53,447	-	-	52,734	53,447
Public works	8,797	8,528	-	-	8,797	8,528
Human services	1,156	1,259	-	-	1,156	1,259
Culture and recreation	3,139	3,417	-	-	3,139	3,417
Debt service	1,433	1,513	-	-	1,433	1,513
Sewer	-	-	5,097	5,370	5,097	5,370
Total expenses	91,065	92,217	5,097	5,370	96,162	97,587
Increase (deficiency) in net assets before transfers	3,437	(2,595)	2,857	1,933	6,294	(662)
Transfers	452	(228)	(452)	228	-	-
Increase in net assets	3,889	(2,823)	2,405	2,161	6,294	(662)
Net assets, beginning of year	65,467	68,290	15,095	a 12,934	80,562	a 81,224
Net assets, end of year	<u>\$ 69,356</u>	<u>\$ 65,467</u>	<u>\$ 17,500</u>	<u>a \$ 15,095</u>	<u>\$ 86,856</u>	<u>a \$ 80,562</u>

a restated, see note VI

TOWN OF DEDHAM, MASSACHUSETTS

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	\$ 21,190,430	\$ 5,226,174	\$ 26,416,604
Investments	3,330,586	-	3,330,586
Restricted cash and equivalents	1,522,778	-	1,522,778
Restricted investments	1,771,284	-	1,771,284
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	3,305,975	-	3,305,975
Departmental and other	1,831,134	4,912,214	6,743,348
Intergovernmental	1,216,380	469,974	1,686,354
Land	19,206,126	-	19,206,126
Depreciable capital assets, net of accumulated depreciation	72,384,272	11,491,830	83,876,102
TOTAL ASSETS	<u>125,758,965</u>	<u>22,100,192</u>	<u>147,859,157</u>
LIABILITIES			
CURRENT:			
Warrants and accounts payable	2,205,826	23,441	2,229,267
Accrued payroll	3,049,632	-	3,049,632
Retainage	51,715	-	51,715
Tax refunds payable	718,430	-	718,430
Other liabilities	240,655	-	240,655
Noncurrent liabilities:			
Due in one year	6,031,112	635,737	6,666,849
Due in more than one year	44,105,930	3,944,580	48,050,510
TOTAL LIABILITIES	<u>56,403,300</u>	<u>4,603,758</u>	<u>61,007,058</u>
NET ASSETS			
Invested in capital assets, net of related debt	49,775,353	7,381,487	57,156,840
Restricted	13,115,395	-	13,115,395
Unrestricted net assets	6,464,917	10,114,947	16,579,864
NET ASSETS	<u><u>\$ 69,355,665</u></u>	<u><u>\$ 17,496,434</u></u>	<u><u>\$ 86,852,099</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
					Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
<u>Governmental Activities:</u>							
General government	\$ 7,455,799	\$ 741,943	\$ 211,023	\$ -	\$ (6,502,833)		\$ (6,502,833)
Public safety	16,349,388	1,754,489	227,077	-	(14,367,822)		(14,367,822)
Education	52,733,810	2,118,664	13,487,587	709,913	(36,417,646)		(36,417,646)
Public works	8,796,971	138,400	2,854	1,658,306	(6,997,411)		(6,997,411)
Health and human services	1,156,051	198,859	234,387		(722,805)		(722,805)
Culture, recreation and human services	3,139,413	491,232	38,047	-	(2,610,134)		(2,610,134)
Debt service	1,433,392	-	-	-	(1,433,392)		(1,433,392)
Total Governmental Activities	91,064,824	5,443,587	14,200,975	2,368,219	(69,052,043)		(69,052,043)
<u>Business-Type Activities:</u>							
Sewer	5,096,758	7,654,800	17,821	-		\$ 2,575,863	2,575,863
Total Primary Government	\$ 96,161,582	\$ 13,098,387	\$ 14,218,796	\$ 2,368,219	(69,052,043)	2,575,863	(66,476,180)
<u>General Revenues:</u>							
Real and personal property taxes					65,728,908	-	65,728,908
Intergovernmental					2,889,606	280,880	3,170,486
Motor vehicle and other excise					2,941,257	-	2,941,257
Penalties and interest on taxes					345,255	-	345,255
Investment income					583,957	-	583,957
Transfers (net)					451,637	(451,637)	-
Total general revenues and transfers					72,940,620	(170,757)	72,769,863
Change in Net Assets					3,888,577	2,405,106	6,293,683
<u>Net Assets:</u>							
Beginning of year (As restated see Note VI)					65,467,088	15,091,328	80,558,416
End of year					\$ 69,355,665	\$ 17,496,434	\$ 86,852,099

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Stabilization	Other Post-Employment Benefits	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 9,911,413	\$ 2,189,102	\$ 271,146	\$ 2,668,320	\$ 6,150,449	\$ 21,190,430
Investments	-	2,197,939	1,132,647	-	-	3,330,586
Receivables, net of allowance for uncollectibles:						
Real estate and personal property taxes	3,305,975	-	-	-	-	3,305,975
Other	1,831,134	-	-	-	-	1,831,134
Due from Commonwealth	96,216	-	-	587,213	532,951	1,216,380
Cash - restricted	-	-	-	-	1,522,778	1,522,778
Investments - restricted	-	-	-	-	1,771,284	1,771,284
Total Assets	\$ 15,144,738	\$ 4,387,041	\$ 1,403,793	\$ 3,255,533	\$ 9,977,462	\$ 34,168,567
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants and accounts payable	\$ 3,801,435	\$ -	\$ -	\$ 414,620	\$ 1,039,403	\$ 5,255,458
Other liabilities	225,000	-	-	-	67,370	292,370
Tax refunds payable	718,430	-	-	-	-	718,430
Deferred revenues	5,137,109	-	-	-	-	5,137,109
Total Liabilities	9,881,974	-	-	414,620	1,106,773	11,403,367
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations	485,712	-	-	-	-	485,712
Stabilization	-	4,387,041	-	-	-	4,387,041
Other post-employment benefits	-	-	1,403,793	-	-	1,403,793
Subsequent year budget	1,599,000	-	-	-	-	1,599,000
Restricted for:						
Capital projects funds	-	-	-	2,840,913	3,181,618	6,022,531
Perpetual funds:						
Trust funds	-	-	-	-	3,288,046	3,288,046
Unreserved	3,178,052	-	-	-	2,401,025	5,579,077
Total Fund Balances	5,262,764	4,387,041	1,403,793	2,840,913	8,870,689	22,765,200
Total Liabilities and Fund Balances	\$ 15,144,738	\$ 4,387,041	\$ 1,403,793	\$ 3,255,533	\$ 9,977,462	\$ 34,168,567

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Governmental Fund Balances	\$ 22,765,200
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	91,590,398
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Other assets are not available to pay for current-period expenditures and are therefore deferred on funds.	5,137,109
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(41,815,045)
Compensated absences	(1,509,767)
Other post-employment benefits	<u>(6,812,230)</u>

Net Assets of Governmental Activities	<u>\$ 69,355,665</u>
----------------------------------------------	-----------------------------

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
JUNE 30, 2010

	General	Stabilization	Other Post-Employment Benefits	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Real estate and personal property taxes, net	\$ 64,823,037	\$ -	\$ -	\$ -	\$ -	\$ 64,823,037
Intergovernmental	13,591,762	-	-	709,913	3,339,235	17,640,910
Motor vehicle and other excises, net	2,987,651	-	-	-	-	2,987,651
License and permits	1,437,306	-	-	-	-	1,437,306
Departmental and other revenue	1,406,306	-	-	-	2,460,709	3,867,015
Penalties and interest on taxes	345,255	-	-	-	-	345,255
Investment income	276,343	190,455	53,793	-	63,366	583,957
Contributions and donations	-	-	-	-	1,817,890	1,817,890
Total Revenues	84,867,660	190,455	53,793	709,913	7,681,200	93,503,021
OTHER FINANCING SOURCES						
Transfers in	1,055,657	-	750,000	-	1,419,600	3,225,257
Bond proceeds	-	-	-	3,510,000	4,584,500	8,094,500
Total Other Financing Sources	1,055,657	-	750,000	3,510,000	6,004,100	11,319,757
Total Revenues and Other Financing Sources	85,923,317	190,455	803,793	4,219,913	13,685,300	104,822,778
EXPENDITURES						
General government	5,260,644	-	-	-	1,265,667	6,526,311
Public safety	10,525,321	-	-	-	1,032,395	11,557,716
Education	32,777,878	-	-	1,396,368	4,427,019	38,601,265
Public works	5,785,646	-	-	-	2,635,999	8,421,645
Human services	805,157	-	-	-	32,448	837,605
Culture and recreation	1,841,411	-	-	-	489,462	2,330,873
State and county tax assessments	2,596,530	-	-	-	-	2,596,530
Pensions and other fringe benefits	18,182,453	-	-	-	-	18,182,453
Debt service	6,669,713	-	-	-	-	6,669,713
Total Expenditures	84,444,753	-	-	1,396,368	9,882,990	95,724,111
OTHER FINANCING USES						
Transfers out	2,106,590	-	-	-	667,030	2,773,620
Total Expenditures and Other Financing Uses	86,551,343	-	-	1,396,368	10,550,020	98,497,731
EXCESS (DEFICIENCY) OF REVENUES AND AND OTHER FINANCING SOURCES OVER OVER EXPENDITURES AND OTHER FINANCING USES	(628,026)	190,455	803,793	2,823,545	3,135,280	6,325,047
FUND BALANCES, JULY 1, 2009	5,890,790	4,196,586	600,000	-	5,752,777	16,440,153
Prior period adjustment - see note VI	-	-	-	17,368	(17,368)	-
FUND BALANCES, JUNE 30, 2010	\$ 5,262,764	\$ 4,387,041	\$ 1,403,793	\$ 2,840,913	\$ 8,870,689	\$ 22,765,200

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 6,325,047**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Net capital outlays amounted to \$6,154,611; depreciation expense totaled \$4,490,228. The net amount is reflected here as a reconciling item. 1,664,383

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Debt repayments were \$5,021,729 and the proceeds were \$8,094,500. The net amount is reflected here as a reconciling item. (3,072,771)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in deferred revenue. 998,743

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This represents the difference between the accruals between this year and the prior year. 214,592

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(721,073)
Other post-employment benefits	<u>(1,520,344)</u>

Change in Net Assets of Governmental Activities **\$ 3,888,577**

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Business-type Activities - Enterprise Funds Sewer</u>
ASSETS	
CURRENT:	
Cash and cash equivalents	\$ 5,226,174
Receivables net of allowance for uncollectibles:	
User fees	4,912,214
Due from Commonwealth - subsidy	<u>40,985</u>
Total Current Assets	<u>10,179,373</u>
NONCURRENT:	
Due from Commonwealth - subsidy	428,989
Capital assets, net of accumulated depreciation	<u>11,491,830</u>
TOTAL ASSETS	<u>22,100,192</u>
LIABILITIES	
CURRENT:	
Warrants payable	23,441
Bond indebtedness - short term portion	<u>635,737</u>
Total Current Liabilities	<u>659,178</u>
NONCURRENT:	
Bond indebtedness - long term portion	<u>3,944,580</u>
TOTAL LIABILITIES	<u>4,603,758</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,381,487
Unrestricted	<u>10,114,947</u>
NET ASSETS	<u><u>\$ 17,496,434</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds Sewer
OPERATING REVENUES	
Charges for services	\$ 7,672,621
Total Operating Revenues	7,672,621
OPERATING EXPENSES	
Operating costs	4,625,422
Depreciation	292,302
Total Operating Expenses	4,917,724
OPERATING INCOME	2,754,897
NONOPERATING REVENUES (EXPENSES):	
Intergovernmental revenues	280,880
Interest expense	(179,034)
Transfers, net	(451,637)
Total Nonoperating Revenues (Expenses), net	(349,791)
CHANGE IN NET ASSETS	2,405,106
NET ASSETS AT BEGINNING OF YEAR	11,592,498
Prior period adjustment - see note VI	3,498,830
NET ASSETS AT END OF YEAR	\$ 17,496,434

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS -
YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from users	\$ 6,986,268
Payments to vendors	<u>(4,601,981)</u>
Net Cash Provided by (Used for) Operating Activities	<u>2,384,287</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers (net)	<u>(451,637)</u>
Net Cash Used for Noncapital Related Financing Activities	<u>(451,637)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Governmental grants - subsidy	340,753
Proceeds from debt	272,800
Principal payown of debt	(574,636)
Acquisition and construction of capital assets	<u>(2,279,391)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(2,240,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest expense	<u>(179,034)</u>
Net Cash Provided by Investing Activities	<u>(179,034)</u>
NET CHANGE IN CASH AND EQUIVALENTS	(486,858)
CASH AND EQUIVALENTS:	
July 1, 2009	<u>5,713,032</u>
June 30, 2010	<u><u>\$ 5,226,174</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating income (loss)	\$ 2,754,897
Depreciation	292,302
Changes in assets and liabilities:	
Receivables (net)	(686,353)
Payables (net)	<u>23,441</u>
Net Cash Provided From Operating Activities	<u><u>\$ 2,384,287</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Borrowing under capital leases	\$ -
Contributions of capital assets from General Fund	\$ -
Purchase of equipment on account	\$ -
Increase in fair value of investments	\$ -
Capital asset trade-ins	\$ -

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	Pension Trust Fund <u>December 31, 2009</u>	Private Purpose Trust Funds <u></u>	Agency Funds <u></u>
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 421,177	\$ 343,025	\$ 638,142
Investments (at fair value):			
Investments	-	52,045	-
Pooled funds (PRIT)	77,266,377	-	-
Total Investments	<u>77,266,377</u>	<u>52,045</u>	<u>-</u>
Receivables:			
Other receivables	-	-	463,450
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>77,687,554</u>	<u>395,070</u>	<u>1,101,592</u>
LIABILITIES			
CURRENT:			
Warrants payable	-	-	89,896
Agency liabilities			642,672
Planning Board Deposits	-	-	262,042
Other	<u>-</u>	<u>-</u>	<u>106,982</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,101,592</u>
NET ASSETS			
Held in trust for:			
Pension benefits	77,687,554	-	-
Private purposes	<u>-</u>	<u>395,070</u>	<u>-</u>
Net Assets	<u><u>\$ 77,687,554</u></u>	<u><u>\$ 395,070</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS YEAR ENDED JUNE 30, 2010

	Pension Trust Fund December 31, 2009	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer	\$ 3,457,781	\$ -
Employee	1,949,430	-
Commonwealth of Massachusetts	168,109	-
Transfers from other systems	110,259	-
Reimbursements from other systems	115,918	-
Other income	4,325	-
Investment Income	2,079,604	(2,664)
Net gain (loss) on investments (including realized and unrealized gains and losses)	9,756,429	-
Total Additions	<u>17,641,855</u>	<u>(2,664)</u>
Other Financing Sources - transfers	-	-
EXPENDITURES:		
Benefit payments to retirees and surviving spouses	6,090,666	-
Refunds	57,033	-
Transfers to other systems	146,917	-
Reimbursements to other systems	162,392	-
Fees for investment services	405,299	-
Operations payroll expenditures	80,396	-
Other administrative expenses	53,599	-
Scholarships and assistance	-	18,187
Total Deductions	<u>6,996,302</u>	<u>18,187</u>
Other Financing Uses - transfers	-	-
CHANGE IN NET ASSETS	10,645,553	(20,851)
NET ASSETS AT BEGINNING OF YEAR	<u>67,042,001</u>	<u>415,921</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 77,687,554</u></u>	<u><u>\$ 395,070</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF DEDHAM, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

- A. Reporting Entity** - The Town of Dedham is located south-west of Boston in Norfolk County. Dedham was established as a Town in 1636. The Town is governed by an elected five-member Board of Selectmen with an appointed Town Administrator. Each Board of Selectmen member serves a three-year term. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, water services, street maintenance, parks and recreational facilities.
- B. Individual Component Unit Disclosures** - The following component unit is, while a separate entity, in substance part of the governmental operations of the Town due to the significance of its operations and common control. Data is blended with the fiduciary funds of the primary government.

Dedham Contributory System - The Dedham Contributory System services almost entirely to the Town. While legally separate it is presented as if it were part of the primary government. Stand alone financial statements for the year ended December 31, 2009 were not issued, however an annual report is available at the Retirement Office, 202 Bussey Street, Dedham, Massachusetts 02026.

- C. Government-Wide and Fund Financial Statements** – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legal *component units* for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for Governmental Funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues, if material, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However expenditures related to debt service, compensated absences, claims and judgments, and risk financing, are recorded only when payment is due. Interest income associated with the current fiscal period is considered being susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be recorded in another fund.

Stabilization Fund – is used to account for certain unencumbered accumulated financial resources that are subject to appropriation as directed by the Town’s Legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise.

Other Post Employment Benefits Fund – is used to accumulate funds for future payments of other post employment benefits.

School Construction Fund – is used to account for the financial activities relating to the construction of a new elementary school.

The *Nonmajor Governmental Funds* consist of special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The government reports the following major proprietary funds:

Enterprise Fund – uses the “economic resources” measurement focus to account for the following specific operations in a manner similar to private business enterprises:

Sewer – accounts for user charges collected to finance costs associated with maintaining the related infrastructure by which sewage is processed, within the Town boundaries.

Additionally, the government reports the following fund types:

Pension Trust Fund – substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department participate in the Dedham Contributory System (the System). The System functions for the benefit of these employees.

Private-Purpose Trust Fund – is used to account for financial resources legally held in trust for use in funding scholarships and energy support for qualified citizens. There is a requirement that a portion of these resources be preserved as capital.

Agency Fund – used to account for financial resources held by the Town on-behalf of other individuals or entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. As a general rule the *effect* of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town’s sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources, as they are needed.

E. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer’s Investment Pool. Investments for the Town, and its component unit are reported at fair value. The State

Treasurer's Investment Pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Receivables – All property tax and trade receivables are shown net of an allowance for doubtful collections comprised of those outstanding amounts, which are deemed potentially uncollectible. Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes.

User charge receivables represent amounts billed for sewage usage by the Town's property owners and are shown net of an allowance for doubtful collections. Bills are sent in cycles with each property owner receiving 4 bills per year.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain cash and investment balances are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the provisions of certain trust documents.

Capital Assets – Capital assets include property, plant, and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government as well as the component units is depreciated using the straight line method over the following estimated useful lives:

Infrastructure	40-50 years
Buildings	40 years
Equipment, furniture, fixtures and vehicles	5-10 years

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. Amounts related to these benefits are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds. Bond anticipation notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts as other financing uses. Issuance costs are exclusively reported as debt service expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town does not insure for unemployment benefits. The Town does insure for workmen’s compensation, health, casualty, theft, or other losses. Uninsured losses are recorded as expenditures when incurred. Amounts determined to be incurred but not reported are reflected as liabilities of the Government-Wide Statement of Net Assets.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as a significant aspect of budgetary control in the Governmental Fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

Fund Equity – In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Reclassifications – Certain reclassifications have been made to the 2009 amounts to conform to the 2010 presentation.

II. Stewardship, Compliance and Accountability

- A. Budgetary Information** – An annual budget is initiated by the Town Administrator and then legally adopted by the Town Meeting at the recommendation of the Finance Committee. Expenditures may not exceed the individual line item appropriations. Subsequent Town Meetings can approve transfers within and between departments from the unexpended balance of appropriations. If an appropriation is inadequate due to extraordinary or unforeseen circumstances, the Department Head may ask the Finance Committee for funds from the Reserve Fund. At the end of the fiscal year any uncommitted balance in the appropriation reverts to the General Fund unreserved fund balance.
- B. Excess of Expenditures Over Appropriations** – During the fiscal year ended, the Town had no instances where statutory expenditures exceeded appropriations.
- C. Deficit Fund Equity** – The Town incurred legal deficits in certain Special Revenue Grant accounts. These are expected to be funded through future intergovernmental receipts.

III. Detailed Notes to All Funds

A. Deposits and Investments

Deposits - Cash and equivalents include cash on hand and certificates of deposit with maturities of three months or less.

GAAP requires disclosure for any investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. Neither the Town nor System maintains any investments subject to these classifications.

Credit Risk – State statutes and PERAC regulations require the Town and System to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and state treasurer investment pools. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be an U.S. obligation. During their fiscal years, neither the Town nor the System entered into any repurchase agreements.

Concentration of Credit Risk – Neither the Town nor the System maintains balances in any single investment that would represent more than 5% of the System's total investments.

Interest Rate Risk – The Town and the System follow Massachusetts General Laws with respect to investments as neither the Town nor the System has a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Neither the Town nor the System has a formal deposit policy for custodial credit risk relative to cash holdings. As of June 30, 2010, the Town had bank holdings of \$2,281,705 which were exposed to custodial credit risk because they were uninsured and uncollateralized. As of December 31, 2008, the System had bank holdings of \$45,331 which were exposed to custodial credit risk because they were uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the System may not be able to recover the full amount of its principal investment and/or investment earnings. As previously noted, PERAC and statutory regulations with regards to eligible investments exist to reduce this risk. The System does impose on itself voluntarily certain investment restrictions; however, those can be changed at the Retirement Board's discretion. The System maintained a significant portion (99.9%) of its monetary assets in Pension Reserve Investment Trust, (PRIT) a pooled investment managed by the Commonwealth of Massachusetts.

Investment Type	Fair Value	Time until maturity (years)				Quality Ratings (Moody's)		
		Less than 1	1 – 5	6 – 10	Greater than 10	AAA	AA2	Unrated
Town Investments								
Fixed income securities - corporate	\$ 724,458	\$ -	\$ 660,111	\$ -	\$ 64,347	\$ 628,278	\$ 96,180	\$ -
Fixed income securities - government backed	2,814,710	254,370	2,560,340	-	-	2,814,710	-	-
Certificates of deposit	3,315,978	754,398	2,170,465	391,115	-	-	-	3,315,978
Total Town Investments with Maturities	6,855,146	1,008,768	5,390,916	391,115	64,347	3,442,988	96,180	3,315,978
Other Town Investments:								
Money markets	5,727,759							
Pooled funds - State Treasurer's Fund	15,198,629							
Mutual funds	972,910							
Equities	641,837							
Total Town investments at June 30, 2010	29,396,281							
<u>Pension Trust Investments</u>								
Total Pension Investments with Maturities	-	-	-	-	-	-	-	-
Other Pension Trust Investments:								
Pooled funds - PRIT	77,266,377							
Total Pension Trust Investments at December 31, 2009	77,266,377							
Total Investments - All Funds	\$ 106,662,658							
Total by Maturity and Quality Classification - All Funds		\$ 1,008,768	\$ 5,390,916	\$ 391,115	\$ 64,347	\$ 3,442,988	\$ 96,180	\$ 3,315,978

Following is a reconciliation of investments and cash and equivalents as summarized above to the balance as recorded in the combined balance sheet:

As presented above	Cash and	
	Investments	Equivalents
	\$ 106,662,658	\$ 5,099,360
Reclass: Short-term investments reported in the combined balance sheet as cash and cash equivalents, as follows:		
Money markets	(5,727,759)	5,727,759
Certificates of deposit	(3,315,978)	3,315,978
Pooled funds - State Treasurer's Pool	(15,198,629)	15,198,629
Totals	\$ 82,420,292	\$ 29,341,726

B. Receivables

Receivables at year-end for individual major governmental and nonmajor funds are as follows:

Personal property taxes	\$ 333,696
Real estate taxes	2,829,634
Tax liens	1,184,647
Deferred property taxes	142,645
Excise	405,775
Special assessment and interest	94,393
Water liens added to tax	126,431
Departmental	19,888
Intergovernmental	<u>1,216,380</u>
Gross receivables	6,353,489
Allowance for uncollectible accounts	<u>(-)</u>
Net receivables	<u>\$ 6,353,489</u>

Receivables of enterprise funds consisted of:

Sewer user charges	\$ 4,912,214
Intergovernmental	<u>469,974</u>
Gross receivables	5,382,188
Allowance for uncollectible accounts	<u>(-)</u>
Net receivables	<u>\$ 5,382,188</u>

Governmental Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the Governmental Funds amounted to \$5,137,110.

MWPAT Loan Subsidies – As noted above, the Town has balances due as a result of loan agreements with the MWPAT. It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$469,974 and interest costs of \$341,839 until maturity of these agreements.

C. Interfund Receivables, Payables and Transfers – Net interfund transfers made during the year to fund appropriations, deficits and indirect costs were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,055,657	\$ 2,106,590
Non - major Governmental	1,419,600	667,030
Other Post Employment Benefits	750,000	-
Sewer	-	<u>451,637</u>
Totals	<u>\$ 3,225,257</u>	<u>\$ 3,225,257</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 19,206,126	\$ -	\$ -	\$ 19,206,126
Total capital assets not being depreciated	19,206,126	-	-	19,206,126
Capital assets being depreciated:				
Buildings and improvements	79,666,355	1,701,681	-	81,368,036
Improvements other than buildings	1,718,984	917,641	-	2,636,625
Infrastructure	59,089,165	2,003,683	-	61,092,848
Machinery, equipment and vehicles	14,628,006	1,531,611	(265,141)	15,894,476
Total capital assets being depreciated	155,102,510	6,154,616	(265,141)	160,991,985
Less accumulated depreciation for:				
Buildings and improvements	(45,723,847)	(1,868,753)	-	(47,592,600)
Improvements other than buildings	(348,283)	(124,371)	-	(472,654)
Infrastructure	(26,286,801)	(1,508,083)	-	(27,794,884)
Machinery, equipment and vehicles	(12,023,695)	(989,021)	265,141	(12,747,575)
Total accumulated depreciation	(84,382,626)	(4,490,228)	265,141	(88,607,713)
Total capital assets being depreciated, net	70,719,884	1,664,388	-	72,384,272
Governmental activities capital assets, net	\$ 89,926,010	\$ 1,664,388	\$ -	\$ 91,590,398

Depreciation expense was charged to functions/programs as follows:

General government	\$ 401,076
Public safety	341,233
Education	1,777,073
Public works	1,696,453
Culture, recreation and human services	274,393
Total Depreciation - Governmental Funds	\$ 4,490,228

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities (Sewer):</i>				
Capital assets not being depreciated:				
Land	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings	-	-	-	-
Improvement other than buildings	-	-	-	-
Infrastructure	10,283,481	2,279,390	-	12,562,871
Machinery, equipment and vehicles	-	-	-	-
Total capital assets being depreciated	10,283,481	2,279,390	-	12,562,871
Less accumulated depreciation for:				
Buildings	-	-	-	-
Improvement other than buildings	-	-	-	-
Infrastructure	(778,739)	(292,302)	-	(1,071,041)
Machinery, equipment and vehicles	-	-	-	-
Total accumulated depreciation	(778,739)	(292,302)	-	(1,071,041)
Total capital assets being depreciated, net	9,504,742	1,987,088	-	11,491,830
Business activities capital assets, net	9,504,742	1,987,088	-	11,491,830

Depreciation expense was charged to functions/programs as follows:

Sewer	\$ 292,302
Total Depreciation - Business-Type Funds	\$ 292,302

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year, bear interest, and will be paid through future issuance of general obligation bonds.

The Town did not have any short term notes payable during the year ended June 30, 2010.

F. Long-Term Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit”; a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2010 was approximately \$200.3 million based on an equalized valuation of approximately \$4.0 billion.

MWPAT Loan Subsidies – The Town has entered into multiple loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) – see Note III.B. As part of these agreements, the MWPAT is anticipated to make subsidy payments on-behalf of the Town relative to portions of the principal and interest due annually. The subsidy will be funded by financial resources of the MWPAT.

Authorized and Unissued – At June 30, 2010, the Town had authorized and unissued debt of:

<u>Project</u>	<u>Amount</u>	<u>Project</u>	<u>Amount</u>
<i>Governmental:</i>		Town Hall Roof	250,000
Avery School	\$ 20,120,000	Striar Property	235,000
ESCO Project	12,000,000	Dexter School Roof	225,000
Roads & Sidewalks	1,750,000	Other Projects	350,500
Athletic Fields	1,100,000	<i>Business-Type:</i>	
Refurbish Ladder Truck	300,000	Sewer	<u>180,000</u>
		Total	<u>\$ 36,510,000</u>

F. Long-Term Obligations

Bond and Note Debt - The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2010:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>						
General obligation bonds	2030	2.0 - 5.0%	\$ 38,675,000	\$ 8,094,500	\$ (5,015,000)	\$ 41,754,500
MWPAT notes	2018	0.0%	67,274	-	(6,729)	60,545
Total Governmental Activities			<u>\$ 38,742,274</u>	<u>\$ 8,094,500</u>	<u>\$ (5,021,729)</u>	<u>\$ 41,815,045</u>
<i>Business-type Activities - Sewer:</i>						
General obligation bonds	2023	2.0 - 7.0%	\$ 2,485,000	\$ -	\$ (245,000)	\$ 2,240,000
MWRA notes	2015	0.0%	412,280	272,800	(122,320)	562,760
MWPAT notes	2019	Varies	1,984,873	-	(207,316)	1,777,557
Total Business-type Activities: Sewer			<u>\$ 4,882,153</u>	<u>\$ 272,800</u>	<u>\$ (574,636)</u>	<u>\$ 4,580,317</u>
Total Bond and Note Debt			<u>\$ 43,624,427</u>	<u>\$ 8,367,300</u>	<u>\$ (5,596,365)</u>	<u>\$ 46,395,362</u>

Long-Term Liability Obligations - During the year ended June 30, 2010, the following reflects the activity in the long-term liability accounts:

Obligations	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bond and note debt	\$ 38,742,274	\$ 8,094,500	\$ (5,021,729)	\$ 41,815,045	\$ 5,276,229
Compensated absences, net	789,694	720,073	-	1,509,767	754,884
Other post employment benefits	5,291,886	5,055,057	(3,534,713)	6,812,230	-
Total Governmental Activities	<u>\$ 44,823,854</u>	<u>\$ 13,869,630</u>	<u>\$ (8,556,442)</u>	<u>\$ 50,137,042</u>	<u>\$ 6,031,113</u>
<i>Business-type Activities - Sewer:</i>					
Bond and note debt	<u>\$ 4,882,153</u>	<u>\$ 272,800</u>	<u>\$ (574,636)</u>	<u>\$ 4,580,317</u>	<u>\$ 635,737</u>
Total Business-type Activities - Sewer	<u>\$ 4,882,153</u>	<u>\$ 272,800</u>	<u>\$ (574,636)</u>	<u>\$ 4,580,317</u>	<u>\$ 635,737</u>
Total Long-term Obligations	<u>\$ 49,706,007</u>	<u>\$ 14,142,430</u>	<u>\$ (9,131,078)</u>	<u>\$ 54,717,359</u>	<u>\$ 6,666,850</u>

Future Debt Payoff - Payments on general long-term debt obligation bonds and notes due in future years consist of the following:

Year Ending June 30	Principal Balance	Subsidy	Net of Subsidy	Interest Balance	Subsidy	Net of Subsidy	Total
<i>Governmental Activities</i>							
2011	\$ 5,276,229	\$ -	\$ 5,276,229	\$ 1,426,930	\$ (2,569)	\$ 1,424,361	\$ 6,700,590
2012	5,186,728	-	5,186,728	1,249,066	(2,224)	1,246,842	6,433,570
2013	4,841,729	-	4,841,729	1,087,973	(8,006)	1,079,967	5,921,696
2014	4,171,728	-	4,171,728	930,217	(1,879)	928,338	5,100,066
2015	3,661,726	-	3,661,726	789,622	(1,534)	788,088	4,449,814
2016 - 2020	11,226,905	-	11,226,905	2,456,277	(2,707)	2,453,570	13,680,475
2021 - 2025	5,680,000	-	5,680,000	927,912	-	927,912	6,607,912
2026 - 2030	1,770,000	-	1,770,000	177,998	-	177,998	1,947,998
Total	<u>\$ 41,815,045</u>	<u>\$ -</u>	<u>\$ 41,815,045</u>	<u>\$ 9,045,995</u>	<u>\$ (18,919)</u>	<u>\$ 9,027,076</u>	<u>\$ 50,842,121</u>
<i>Business-Type Activities: Sewer</i>							
2011	\$ 635,737	\$ (60,985)	\$ 574,752	\$ 160,772	\$ (52,146)	\$ 108,626	\$ 683,378
2012	563,080	(56,198)	506,882	135,158	(38,227)	96,931	603,813
2013	497,780	(12,689)	485,091	195,031	(82,589)	112,442	597,533
2014	484,760	(52,828)	431,932	111,339	(37,454)	73,885	505,817
2015	489,160	(51,634)	437,526	94,014	(35,087)	58,927	496,453
2016 - 2020	1,594,800	(235,640)	1,359,160	217,329	(77,417)	139,912	1,499,072
2021 - 2023	315,000	-	315,000	25,095	-	25,095	340,095
Total	<u>\$ 4,580,317</u>	<u>\$ (469,974)</u>	<u>\$ 4,110,343</u>	<u>\$ 938,738</u>	<u>\$ (322,920)</u>	<u>\$ 615,818</u>	<u>\$ 4,726,161</u>

IV. Other Information

A. Retirement System

System Description – The Town contributes to the Town of Dedham Contributory System an agency multiple-employer defined benefit pension plan for the Town, and the Dedham Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Town of Dedham and is part of the reporting entity. Stand alone financial statements for the year ended December 31, 2008 were not issued, however an annual report is available at the Retirement Office, 202 Bussey Street, Suite 101, Dedham, Massachusetts 02026. Disclosures applicable to the Dedham Housing Authority are not material.

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department, participate in the System. The members of the System do not participate in the Social Security System. Benefits paid under the System, referred to as "retirement allowances," include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion, funded by the Town. The payroll for employees covered by the System for the year ended December 31, 2009, was approximately \$19 million.

Membership – Current membership in the System as of December 31, 2009, is as follows:

Retirees and beneficiaries currently receiving	
benefits and terminated employees entitled to	
benefits but not yet receiving them	299
Active/inactive employees	<u>566</u>
Total	<u>865</u>

Benefits – Massachusetts Contributory System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts: an annuity and a pension. Participants' accumulated total deductions and portions of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

From time to time, the Legislature may grant cost-of-living increases to benefits being paid to retirees. These increases are expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. Since 1982, cost-of-living increases granted to members of local Systems have been the financial responsibility of the State. However, beginning in 1998, the funding of future cost-of-living amounts became the responsibility of the participating units. These units are responsible for the full cost-of-living amounts for all new retirees beginning that year, and for any additional cost-of-living increases granted to individuals who retired before 1998. The State shall continue to fund the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive 0%, 50% or 100% of the regular interest that has accrued upon those contributions. A vested employee under the age of 55 who elects to leave his accumulation on deposit may apply for benefits upon reaching that age.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Normal Retirement – Normal retirement occurs at age 65; however, participants may retire after twenty years of service or at any time after attaining age 55. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Disability Retirement – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Funding Status and Progress – The Town has elected provisions of Chapter 32, Section 22D of Massachusetts General Laws, which require that at a minimum, the funding schedule be established to fully fund the accrued liability by June 30, 2030. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. Amortization of the unfunded actuarial liability is determined using the level dollar amortization method over a 20-year period. Currently, the Town's funding schedule is calculated to fully fund the accrued liability by June 30, 2026.

The funded status of the System at January 1, 2010, the most recent valuation date, is:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ 85,456,310	\$ 107,609,083	\$ 22,152,773	79.4%	\$ 19,109,370	116%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Contribution Requirements and Contributions Made – The System’s funding policies have been established by Chapter 32 of the Massachusetts General Laws. Depending on their employment date, members must contribute 5%, 7%, 8%, or 9% of their compensation. Additionally, employees hired after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on behalf payments from the Commonwealth were not material to the Town’s financial statements and accordingly were not reported as general fund activity.

GAAP requires that the annual minimum provision for pension costs should include normal cost, interest on unfunded past service cost liability, and amortization of unfunded vested benefits, based on an acceptable actuarial cost method. Chapter 32 of the General Laws as amended requires amortization of the unfunded pension liability over a forty-year period.

Three-Year Trend Information – The three-year trend information for the System is as follows:

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 3,457,781	100 %	\$ —
2008	3,433,449	100 %	—
2007	3,405,298	100 %	—

Methods and Assumptions – The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	January 1, 2010
Actuarial cost method	Individual entry age normal
Amortization method	4.5% increasing
Asset valuation method	Actuarial; 4 year smoothing
Investment rate of return	8.0%
Projected salary increases	Service based table with ultimate rates of 5.0%,

Legally Required Reserve Accounts – The balances in the Systems legally required reserves as of December 31, 2008 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$17,978,684	Active members’ contribution balance
Annuity Reserve Fund	6,104,460	Retired members’ contribution account
Military Service Fund	1,639	Military benefits
Pension Reserve Fund	<u>53,602,771</u>	Amounts appropriated to fund future retirement benefits
Total	<u>\$77,687,554</u>	

Recent Legislative Actions – The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

On June 16, 2009, the Massachusetts Legislature passed what is designated as Chapter 21 of the Acts of 2009, *An Act Providing Responsible Reforms in the Pension System*. This pension reform, among other things, redefined “regular compensation” for payments made after June 30, 2009. The new definition, which took effect on July 1, 2009, limits regular compensation to “wages,” and, with a few exceptions, defines wages as base salary. In addition, the Massachusetts Legislature extended the required funding schedule from 2028 to 2030 in response to the steep decline in the worldwide economy and the effect this has had on the fair value of managed retirement plan assets throughout the Commonwealth of Massachusetts.

Subsequently, on July 27, 2010, the Massachusetts Legislature passed what is designed as Chapter 188 of the Acts of 2010, *An Act Relative to Municipal Relief*. As part of this reform law, among other things, actuarial reports on required funding schedules are now required to be done every 1 – 2 years and those funding schedules may now be extended out from 2030 to 2040. Additionally, in future years, annual payments per the funding schedules are not allowed to be less than 95% of the prior year appropriation. Furthermore, an Early Retirement Initiative option was approved for voluntary participation by cities and towns; initiation of this ERI plan must come from the municipality.

Massachusetts Teacher's System (A Noncontributing Employer Plan) - Teachers and certain administrative employees of the School Department participate in a pension plan administered by the Massachusetts Teachers Retirement Board (MTRS). Contributions to the MTRS totaled \$6,535,726 for the year ended June 30, 2010 and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system. The Town's payroll covered by this plan during the year ended June 30, 2010 was approximately \$25 million. Eligibility requirements for participation are as follows:

1. The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
2. The employee must be certified by the Massachusetts Department of Elementary and Secondary Education for a position, which requires certification.

Benefit provisions and contribution requirements are established by state law. Depending on their employment date, members must contribute 5%, 7%, 8%, or 9% of their compensation. Additionally, employees hired after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000. Normal retirement occurs at age 65; however, participants may retire after twenty years of service or at any time after attaining age 55. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits are based on the average of the three highest consecutive salaried years of employee service and are determined in a manner similar to the provisions of the System. MGL Chapter 114 of the Acts of 2000 allows for all eligible members of the Massachusetts Teachers System to contribute a flat 11% rate as of July 1, 2001 in order to receive a retirement benefit enhancement. The benefit enhancement requires a minimum of five years of contribution at this 11% rate and at least 30 years of creditable service in order to receive accelerated retirement benefits up to the statutory maximum

of 80%. Contribution at this 11% was voluntary for existing members of the MTRS and is mandated to all new members as of July 1, 2001.

B. Other Post Employment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 745 active employees and 593 retired employees for a total of 1,338.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute a portion of their post-retirement medical costs, which varies by plan. This is accomplished through pension benefit deductions. The remainder of the cost is funded by the Town. The Town pays \$3.14 per month towards life insurance depending on the plan, the retirees pay the remainder. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town’s OPEB obligation:

OPEB obligation at beginning of year	\$ 5,291,886
Annual required contribution	5,065,094
Service cost with interest	198,446
Amortization of actuarial accrued liability (AAL)	(208,483)
Contributions made	<u>(3,534,713)</u>
 OPEB obligation at end of year	 <u>\$ 6,812,230</u>

In addition, the Town established a Trust fund under special acts of the legislature to accumulate funds for future payments of OPEB costs. The Town voted to transfer \$750,000 into this fund during the year ended June 30, 2010. Total fund balance is \$1,403,793.

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010	5,055,057 *	69.9%	6,812,230
June 30, 2009	7,950,316	33.4%	5,291,886

* The AOPEBC at June 30, 2010 was charged to the following functional programs: General Government \$166,834; Public Safety \$1,475,377; Education \$3,013,349; Public Works \$222,954; Health and Human Services \$62,964; and Culture and Recreation \$113,579.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2010 for the most recent actuarial valuation performed as of June 30, 2010, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$1,403,793	\$ 74,018,559	\$ 72,614,766	1.90%	\$ 45,934,750	158.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation are as follows:

Valuation date:	July 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay
Remaining amortization period:	30 years as of July 1, 2010
Interest discount rate:	5.75%
Healthcare/Medical cost trend rate:	8.0% grading down to 5% in year 2016 and thereafter

- C. Risk Financing** – The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation.

The Town is a part of a premium-based self-insurance group which insures for worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). Additionally, the Town is entirely self-insured for police and fire employees' unemployment. The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history. All other insurance is carried through conventional carriers.

- D. Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2010.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

E. Subsequent Events

The Town did not have any other subsequent events through the date the financial statements were issued for events requiring recording or disclosure in the financial statements for the year ended June 30, 2010.

V. Implementation of New GASB Pronouncements

In June 2007, the GASB issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, which was effective for the Town beginning on July 1, 2009. The objective of GASB 51 was to establish accounting and financial reporting requirements for intangible assets such as easements, water rights, timber rights, patents, trademarks and computer software, and reduce inconsistencies in current reporting practices, thereby enhancing the comparability of the accounting and reporting of such assets among state and local governments. The adoption of GASB 51 did not have a material impact on the Town's financial position or its results from operations.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for the Town beginning on July 1, 2009. GASB 53 was intended to improve how state and local governments report information about derivative instruments (financial arrangements used by governments to manage specific risks or make investments) in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of GASB 53 did not have a material impact on the Town's financial position or its results from operations.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to alter the focus to bring greater clarity and consistency to fund balance reporting and terminology used to report fund balance in governmental funds. GASB 54 is effective for periods beginning after June 15, 2010. The Town will adopt GASB 54 for the fiscal year ended June 30, 2011. The Town is currently evaluating whether the adoption of GASB 54 will have a material impact on its financial statements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of GASB 59 are effective for

financial statements for periods beginning after June 15, 2010. The Town does not expect that the adoption of GASB 59 will have a material effect on its financial statements.

VI. Prior-Period Restatement

The following prior period adjustments were required to conform the prior year beginning balances to the current year presentation:

	<u>Non-major</u>	<u>School Construction</u>
As previously recorded	\$ 5,752,777	\$ -
To create new major fund	(17,368)	17,368
	<hr/>	<hr/>
As restated	<u>\$ 5,735,409</u>	<u>\$ 17,368</u>

	<u>Sewer Fund</u>
As previously recorded	\$ 11,592,498
Record unbilled receivables	<u>3,498,830</u>
As restated	<u><u>\$ 15,091,328</u></u>

TOWN OF DEDHAM, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
01/01/10	85,456,310	107,609,083	22,152,773	79%	19,109,370	116%
01/01/08	90,708,216	98,591,648	7,883,432	92%	18,680,825	42%
01/01/06	70,287,000	89,323,000	19,036,000	79%	17,182,000	111%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2010	\$ 1,403,793	\$ 74,018,559	\$ 72,614,766	1.9%	\$ 45,934,750	158.1%
1/1/2008	-	112,625,512	112,625,512	-	42,322,696	266.1%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended December 31,	Dedham Contributory Retirement System			Town (B / A)	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	Town's Percentage of System Wide Actual Contributions
2009	\$ 3,457,781	\$ 3,457,781	100%	\$ 3,313,779	95.8%
2008	3,433,449	3,433,449	100%	3,291,740	95.9%
2007	3,405,298	3,405,298	100%	3,262,951	95.8%

Other Post Employment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2010	\$ 5,055,057	\$ 3,534,713	69.9%
2009	7,950,316	3,258,430	41.0%

TOWN OF DEDHAM, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Encumbrances	Actual	Variance
	Original	Final	Budgetary	and Continuing	Budgetary	Favorable
	Budget	Budget	Unadjusted	Appropriations	Adjusted	(Unfavorable)
REVENUES						
Real estate and personal property taxes, net	\$ 64,288,080	\$ 64,288,080	\$ 64,823,037	\$ -	\$ 64,823,037	\$ 534,957
Intergovernmental	7,047,620	7,047,620	7,056,036	-	7,056,036	8,416
Motor vehicle and other excises	2,970,000	2,970,000	2,987,651	-	2,987,651	17,651
License and permits	1,360,000	1,360,000	1,437,306	-	1,437,306	77,306
Departmental and other revenue	1,317,500	1,317,500	1,406,306	-	1,406,306	88,806
Penalties and interest on taxes	330,000	330,000	345,255	-	345,255	15,255
Investment income	450,000	450,000	276,343	-	276,343	(173,657)
Total Revenues	77,763,200	77,763,200	78,331,934	-	78,331,934	568,734
EXPENDITURES						
General government	5,406,289	5,360,680	5,260,644	6,569	5,267,213	93,467
Public safety	10,943,965	10,799,687	10,525,321	1,143	10,526,464	273,223
Education	33,212,791	33,134,074	32,777,878	428,292	33,206,170	(72,096)
Public works	5,690,500	5,990,600	5,785,646	-	5,785,646	204,954
Human services	863,336	873,490	805,157	-	805,157	68,333
Culture and recreation	1,857,558	1,868,727	1,841,411	-	1,841,411	27,316
State and county tax assessments	2,580,240	2,580,240	2,596,530	-	2,596,530	(16,290)
Fringe Benefits and Pensions	12,691,285	11,730,250	11,646,727	-	11,646,727	83,523
Debt service	6,870,591	6,826,445	6,669,713	-	6,669,713	156,732
Total Expenditures	80,116,555	79,164,193	77,909,027	\$ 436,004	78,345,031	819,162
OTHER FINANCING SOURCES (USES)						
Transfers, net	(363,591)	(1,715,953)	(1,050,933)		(1,050,933)	665,020
Total Other Financing Sources (Uses)	(363,591)	(1,715,953)	(1,050,933)		(1,050,933)	665,020
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(2,716,946)	(3,116,946)	(628,026)		(1,064,030)	\$ 2,052,916
BUDGETARY FUND BALANCES, JULY 1, 2009	5,890,790	5,890,790	5,890,790		5,890,790	
BUDGETARY FUND BALANCES, JUNE 30, 2010	\$ 3,173,844	\$ 2,773,844	\$ 5,262,764		\$ 4,826,760	
Budgetary deficit funded from:						
Undesignated surplus (free cash)	2,055,000	2,455,000				
Prior year encumbrances	1,067,376	1,067,376				
Overlay deficits	(167,220)	(167,220)				
Miscellaneous other	(238,210)	(238,210)				
	\$ 2,716,946	\$ 3,116,946				

The accompanying notes to the required supplementary information are an integral part of this schedule.

TOWN OF DEDHAM, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2010

I. Budgetary Basis of Accounting

An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in April. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town made several minor (approximately 1%) supplemental budgetary appropriations throughout the year. The majority of these were to supplement the Town's individual appropriations.

The Town's general fund is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. Primary differences include the recognition grossing up of revenues and expenditures to reflect On Behalf Teacher's Retirement paid by the Commonwealth. A reconciliation is provided below.

Revenues on a GAAP basis	\$ 84,867,660
On Behalf Teacher's receipts	<u>(6,535,726)</u>
Revenues on a Budgetary basis	<u>\$ 78,331,934</u>
Expenditures on a GAAP basis	\$ 84,444,753
On Behalf Teacher's expenditures	<u>(6,535,726)</u>
Expenditures on a Budgetary basis	<u>\$ 77,909,027</u>